

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Argentine Township	County Genesee
Audit Date June 30, 2004	Opinion Date November 23, 2004	Date Accountant Report Submitted to Sate: February 2, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

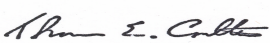
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, PC., CPA's			
Street Address 7810 North Alger Road	City Alma	State MI	ZIP 48801
Accountant Signature 			

Township of Argentine
Genesee County, Michigan
Annual Financial Statements
and
Auditor s' Report
June 30, 2004

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Township of Argentine
List of Board of Trustees
June 30, 2004

BOARD OF TRUSTEES

MARCIA CLINE	SUPERVISOR
JOSEPH GRAVES	TRUSTEE
CYNTHIA O'LEAR	TRUSTEE
CHERYL MILLER	CLERK
BRUCE MCNIER	TREASURER



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

Independent Auditors' Report

Township Board
Township of Argentine
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Argentine as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Argentine as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Argentines' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan

November 23, 2004

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2004

Our discussion and analysis of the Township of Argentine financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Township's financial statements. Certain comparative information, ordinarily required, is not available the first year that the financial statements are prepared according to GASB 34 guidelines. Subsequent reports will include a prior year comparison of results.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004.

State shared revenues, our largest revenue source, was reduced by about \$37,941 by the State of Michigan this year. In light of continuing State Budget Problems, and constant threat(s) to take away all revenue sharing, the Township has reacted by invoking tighter controls over all expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Argentine as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township of Argentine as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Assets	\$ 4,052,214	\$ 2,106,205	\$ 6,158,419
Current and long term liabilities	1,452,668	356,611	1,809,279
Total net assets	<u>\$ 2,599,546</u>	<u>\$ 1,749,594</u>	<u>\$ 4,349,140</u>

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2004

Township of Argentine net assets of governmental activities are \$2,599,546 and \$1,749,594 for business type activities; of these amounts \$1,793,273 (governmental) and \$565,822 (business-type) are unrestricted assets.

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue			
Charges for services	\$ 439,691	\$ 697,353	\$ 1,137,044
Capital grants and contributions	450,000	-	450,000
General revenue:			
Property taxes	180,123	-	180,123
Special assessments	740,819	-	740,819
State-shared revenue	438,403	-	438,403
Interest	11,625	22,037	33,662
Franchise fees and other revenue	104,831	-	104,831
Total revenue	<u>2,365,492</u>	<u>719,390</u>	<u>3,084,882</u>
Program expenses			
General government	534,925	-	534,925
Public safety	818,206	-	818,206
Street and lighting	20,204	-	20,204
Lake improvements	86,826	-	86,826
Sanitation	326,726	-	326,726
Road improvements	183,518	-	183,518
Interest on long-term debt	31,107	-	31,107
Sewer	-	546,687	546,687
Other	167,074	-	167,074
Total program expenses	<u>2,168,586</u>	<u>546,687</u>	<u>2,715,273</u>
Change in net assets	<u>\$ 196,906</u>	<u>\$ 172,703</u>	<u>\$ 369,609</u>

Governmental Activities

The Township of Argentine's total governmental activity revenues were \$2,365,492. There was a decrease in State-shared revenue, which was offset by slight increases in property taxes and Fees and permits.

Governmental activity expenditures of \$2,168,586 were recorded for the year. This included increases in health care costs and property and liability insurance rates, the addition of a full time Fire Chief, and a part time Deputy Supervisor. The Township also increased police and fire protection with only a slight increase in the assessments collected. This caused a reduction in Fund Balance to continue meeting the health, safety, and welfare of residents.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2004

The Townships capital assets increased by \$335,633 from June 30, 2003 to June 30, 2004. This increase is due to the purchase of a 2004 Chevy Tahoe, Smullen pumper truck, and a 2003 fire truck.

The Townships long-term debt also increased from \$943,163 to \$1,285,200 as of June 30, 2004. This increase is due to the 2004A and 2004B bonds and the loan for the 2003 fire truck.

Business Type Activities

The Township also provides municipal sanitary sewer to its residents around the lake.

Township of Argentine Funds

The fund financial statements provide detailed information about the most significant funds, not the Township of Argentine as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities, Fire, Police, and Garbage Funds. The Argentine Township governmental major funds include General Fund, Police, Fire, Garbage, and Peninsular and Belfast Funds.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day to day operation expenses for the Police, and Fire departments is also paid out of General Fund. Some revenues for these departments are collected in the Police and Fire Fund and then transferred to General fund to offset part of the expenses.

b) **Police Fund**

The Police Fund is funded through a special assessment approved by the residents. The Assessment collected in 2003-04 was \$267,200.

c) **Fire Fund**

The Fire Fund is funded through a special assessment approved by the residents. The Assessment collected in 2003-04 was \$320,640. 30% of each assessment dollar collected is left in the Fire fund to pay for major equipment purchases. The remaining 70% is then transferred to the General Fund to cover the fire expenses of \$288,696. The assessment covers about 80% of total expenses. The balance is paid with State Shared Revenue and property taxes.

d) **Garbage Fund**

Residents have approved a special assessment to pay for Township wide Garbage collection.

e) **Peninsular and Belfast Fund**

Special Assessments were setup to pay for paving on Peninsular Drive and Belfast Road. This began in 1999 and there is \$218,463 left to be collected. An additional special assessment for \$225,000 was started in 2004. Nothing has been collected on this special assessment as of June 30, 2004.

Township of Argentine
Management's Discussion and Analysis
Year Ended June 30, 2004

General Fund Budgetary Highlights

Over the course of the year, the Township Council and Township administration monitor and amend the budget to account for unanticipated events during the year. The most significant change was a decrease in State shared revenue and tax. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these State cuts. Due to the lack of Residents wishing to increase the Police and Fire Special Assessments the Township Board of Trustees decided to use money from savings or Fund Balance to cover losses. The Township was also faced with a large legal settlement that was taken out of General Fund.

Economic Factors and Next Year's Budgets and Rates

As this budget year closes there are a number factors that will influence next years budget, including the fact that this an election year and at least two members of the current board are not running for re-election. The Police and Fire Special Assessments need to be increased in order to continue meeting the needs of the growing Township population.

Contacting the Township of Argentine Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Argentine finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Township hall.

Township of Argentine
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,693,160	\$ 377,356	\$ 2,070,516
Receivables	1,267,771	103,040	1,370,811
Prepaid expenses	4,337	-	4,337
Internal balances	(3,068)	3,068	-
Due from other governmental units	169,328	-	169,328
Deferred charges	-	197,201	197,201
Capital assets (net)	920,686	1,425,540	2,346,226
Total assets	4,052,214	2,106,205	6,158,419
Liabilities			
Accounts payable	161,594	-	161,594
Accrued and other liabilities	5,874	2,139	8,013
Due to other governmental units	-	56,912	56,912
Noncurrent liabilities			
Due within one year	218,728	55,792	274,520
Due in more than one year	1,066,472	241,768	1,308,240
Total liabilities	1,452,668	356,611	1,809,279
Net Assets			
Invested in capital assets, net of related debt	670,777	1,127,980	1,798,757
Restricted for:			
Lakes	121,296	-	121,296
Debt service	-	55,792	55,792
Building expenditures	14,200	-	14,200
Unrestricted	1,793,273	565,822	2,359,095
Total net assets	\$ 2,599,546	\$ 1,749,594	\$ 4,349,140

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 534,925	\$ 85,554	\$ -	\$ -	\$ (449,371)	\$ -	\$ (449,371)
Public safety	818,206	36,941	-	-	(781,265)	-	(781,265)
Street and lighting	20,204	-	-	-	(20,204)	-	(20,204)
Lake improvements	86,826	-	-	-	(86,826)	-	(86,826)
Sanitation	326,726	317,196	-	-	(9,530)	-	(9,530)
Road improvements	183,518	-	-	-	(183,518)	-	(183,518)
Other	167,074	-	-	-	(167,074)	-	(167,074)
Interest on long-term debt	31,107	-	-	450,000	418,893	-	418,893
Total governmental activities	<u>2,168,586</u>	<u>439,691</u>	<u>-</u>	<u>450,000</u>	<u>(1,278,895)</u>	<u>-</u>	<u>(1,278,895)</u>
Business-type activities							
Sewer	<u>546,687</u>	<u>697,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,666</u>	<u>150,666</u>
Total primary government	<u>\$ 2,715,273</u>	<u>\$ 1,137,044</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>(1,278,895)</u>	<u>150,666</u>	<u>(1,128,229)</u>
General revenues							
Property taxes					180,123	-	180,123
Special assessments					740,819	-	740,819
State shared revenue					438,403	-	438,403
Unrestricted investment earnings					11,625	22,037	33,662
Franchise fees					62,267	-	62,267
Miscellaneous					42,564	-	42,564
Total general revenues					<u>1,475,801</u>	<u>22,037</u>	<u>1,497,838</u>
Change in net assets					196,906	172,703	369,609
Net assets - beginning					<u>2,402,640</u>	<u>1,576,891</u>	<u>3,979,531</u>
Net assets - ending					<u>\$ 2,599,546</u>	<u>\$ 1,749,594</u>	<u>\$ 4,349,140</u>

See Accompanying Notes to Financial Statements

Township of Argentine
Balance Sheet
Governmental Funds
June 30, 2004

		Special Revenue Funds				Other	Total
	General	Police	Fire	Garbage	Peninsular & Belfast	Governmental Funds	Governmental Funds
Assets							
Cash and cash equivalents	\$ 300,129	\$ 34,363	\$ 263,499	\$ 171,019	\$ 260,607	\$ 663,543	\$ 1,693,160
Accounts receivable	10,333	-	-	-	-	5,461	15,794
Special assessments receivable	-	-	-	-	443,463	808,514	1,251,977
Due from other funds	162,293	-	-	-	-	30,000	192,293
Due from other governments	168,728	600	-	-	-	-	169,328
Prepaid expenses	4,337	-	-	-	-	-	4,337
Total assets	\$ 645,820	\$ 34,963	\$ 263,499	\$ 171,019	\$ 704,070	\$ 1,507,518	\$ 3,326,889
Liabilities and Fund Balance							
Liabilities							
Accounts payable	67,262	-	-	-	-	56,996	124,258
Judgement payable	37,336	-	-	-	-	-	37,336
Salaries payable	5,874	-	-	-	-	-	5,874
Deferred revenue	-	-	-	-	443,463	808,514	1,251,977
Due to other funds	3,068	160	140	50	146,643	45,300	195,361
Total liabilities	113,540	160	140	50	590,106	910,810	1,614,806
Fund balance							
Reserved for Lobdell Lake	-	-	-	-	-	98,154	98,154
Reserved for Softwater Lake	-	-	-	-	-	1,964	1,964
Reserved for McKane Lake	-	-	-	-	-	10,916	10,916
Reserved for Myers Lake	-	-	-	-	-	10,262	10,262
Unreserved							
Designated for special projects	38,469	-	-	-	-	-	38,469
Unreserved, undesignated	493,811	34,803	263,359	170,969	113,964	475,412	1,552,318
Total fund balance	532,280	34,803	263,359	170,969	113,964	596,708	1,712,083
Total liabilities and fund balance	\$ 645,820	\$ 34,963	\$ 263,499	\$ 171,019	\$ 704,070	\$ 1,507,518	\$ 3,326,889

See Accompanying Notes to Financial Statements
4 - 3

Township of Argentine
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds			\$ 1,712,083
Total net assets reported for governmental activities in the statement of net assets is different because:			
Deferred special assessments			1,251,977
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			920,686
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of June 30, 2004 are as follows:			
Bonds payable		(1,271,112)	
Accrued interest payable		<u>(14,088)</u>	<u>(1,285,200)</u>
Net assets of governmental activities			<u>\$ 2,599,546</u>

See Accompanying Notes to Financial Statements
4 - 4

Township of Argentine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	General	Special Revenue Funds				Other Governmental Fund	Total Governmental Funds
		Police	Fire	Garbage	Peninsular & Belfast		
Revenues							
Taxes	\$ 180,123	\$ 267,200	\$ 320,640	\$ 317,196	\$ 42,054	\$ 217,123	\$ 1,344,336
Licenses and permits	145,669	6,600	8,068	-	-	-	160,337
State grants	438,403	-	-	-	-	-	438,403
Charges for services	24,425	-	-	-	-	-	24,425
Interest	1,269	208	1,065	653	103	8,327	11,625
Other	36,212	-	-	6,352	-	-	42,564
Total revenues	826,101	274,008	329,773	324,201	42,157	225,450	2,021,690
Expenditures							
General government	522,209	-	-	-	-	-	522,209
Public safety	945,475	-	-	-	-	-	945,475
Street and lighting	-	-	-	-	-	20,204	20,204
Lake improvements	-	-	-	-	-	86,826	86,826
Sanitation	-	-	-	326,726	-	-	326,726
Other functions	136,941	2,767	-	-	10,250	17,116	167,074
Road improvements	-	-	-	-	-	183,518	183,518
Debt service	-	-	343,730	-	36,772	90,984	471,486
Total expenditures	1,604,625	2,767	343,730	326,726	47,022	398,648	2,723,518
Excess (deficiency) of revenues over expenditures	(778,524)	271,241	(13,957)	(2,525)	(4,865)	(173,198)	(701,828)
Other financing sources (uses)							
Bond proceeds	-	-	272,540	-	225,000	225,000	722,540
Operating transfers in	499,712	-	-	-	-	7,667	507,379
Operating transfers (out)	(7,667)	(267,200)	(232,512)	-	-	-	(507,379)
Total other financing sources (uses)	492,045	(267,200)	40,028	-	225,000	232,667	722,540
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(286,479)	4,041	26,071	(2,525)	220,135	59,469	20,712
Fund balance (deficit) - beginning of year	818,759	30,762	237,288	173,494	(106,171)	537,239	1,691,371
Fund balance - end of year	\$ 532,280	\$ 34,803	\$ 263,359	\$ 170,969	\$ 113,964	\$ 596,708	\$ 1,712,083

See Accompanying Notes to Financial Statements
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Township of Argentine
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

		Primary Government
Net change in fund balances - total governmental funds		\$ 20,712
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	(161,204)	
Capital outlay	<u>335,633</u>	174,429
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
New special assessments	450,000	
Current collection of special assessments	<u>(106,198)</u>	343,802
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued	(722,540)	
Repayments of long-term debt	<u>384,431</u>	(338,109)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest on bonds		<u>(3,928)</u>
Change in net assets of governmental activities		<u>\$ 196,906</u>

See Accompanying Notes to Financial Statements

Township of Argentine
Statement of Net Assets
Proprietary Fund
Business-type Activities - Enterprise Fund
June 30, 2004

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 377,356
Due from other funds	3,068
Accounts receivable	<u>103,040</u>
Total current assets	<u>483,464</u>
Noncurrent assets	
Deferred charges	197,201
Capital assets	<u>1,425,540</u>
Total noncurrent assets	<u>1,622,741</u>
Total assets	<u>2,106,205</u>
Liabilities	
Current liabilities	
Current portion - contracts payable	55,792
Accrued interest	2,139
Due to other governmental units	<u>56,912</u>
Total current liabilities	<u>114,843</u>
Noncurrent liabilities	
Contracts payable - refunding bonds	<u>241,768</u>
Total liabilities	<u>356,611</u>
Net Assets	
Invested in capital assets, net of related debt	1,127,980
Unrestricted	
Designated for debt service	55,792
Other unrestricted	<u>565,822</u>
Total net assets	<u><u>\$ 1,749,594</u></u>

Township of Argentine
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Business-type Activities - Enterprise Fund
Year Ended June 30, 2004

	<u>Sewer Fund</u>
Operating revenues	
Charges for services	\$ 546,845
Miscellaneous	<u>150,508</u>
Total operating revenues	<u>697,353</u>
Operating expenses	
Contracted services	467,549
Depreciation	39,248
Salaries and wages	17,548
Supplies	97
Professional fees	<u>1,040</u>
Total operating expenses	<u>525,482</u>
Operating income	<u>171,871</u>
Nonoperating revenues (expenses)	
Interest income	22,037
Paying agent fees	(831)
Interest expense	<u>(20,374)</u>
Total nonoperating revenue	<u>832</u>
Change in net assets	172,703
Net assets - beginning of year	<u>1,576,891</u>
Net assets - end of year	<u><u>\$ 1,749,594</u></u>

Township of Argentine
Statement of Cash Flows
Proprietary Fund
Business-type Activities - Enterprise Fund
Year Ended June 30, 2004

	<u>Sewer</u>
Cash flows from operating activities	
Receipts from customers	\$ 571,905
Payments to suppliers	(478,415)
Payments to employees	(17,548)
Other receipts (payments)	<u>150,508</u>
Net cash provided by operating activities	<u>226,450</u>
Cash flows from capital and related financing activities	
Principal and interest paid on capital debt	<u>(153,559)</u>
Cash flows from investing activities	
Interest revenue	<u>22,037</u>
Net increase in cash and cash equivalents	94,928
Cash and cash equivalents - beginning of year	<u>282,428</u>
Cash and cash equivalents - end of year	<u><u>\$ 377,356</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 171,871
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	39,248
Change in assets and liabilities	
Receivables	(6,364)
Deferred charges	31,424
Accrued interest	2,139
Due to other governmental units	<u>(11,868)</u>
Net cash provided by operating activities	<u><u>\$ 226,450</u></u>

Township of Argentine
Statement of Fiduciary Assets and Liabilities
June 30, 2004

	<u>2004</u>
Assets	
Cash	<u>\$ 48,453</u>
Total assets	<u><u>\$ 48,453</u></u>
Liabilities	
Due to other governments	<u>\$ 48,453</u>
Total liabilities	<u><u>\$ 48,453</u></u>

Township of Argentine
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Argentine conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

Reporting entity

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that its' members are selected by the people in a general election. In addition to having an elected board, a primary government must be both a legally separate and a fiscally independent entity. Thus, Argentine Township qualifies as "primary government" for financial reporting purposes. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The basic criterion of financial accountability is; the primary government is accountable for and able to impose its will upon the potential component unit.

Township of Argentine
Notes to Financial Statements
June 30, 2004

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Police Fund accounts for property taxes and other revenue that is restricted for providing police protection.
- The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.
- The Garbage Fund accounts for special assessments that are restricted for sanitary services.
- The Peninsular and Belfast Fund accounts for special assessments that are restricted for paving projects.

The Township reports the following Major Proprietary Funds:

- The Sewer Fund accounts for the cost of collection and treating waste waters.

Township of Argentine
Notes to Financial Statements
June 30, 2004

Additionally, the Township reports the following:

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds, relate to charges to customers for sewage disposal. The Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property tax revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 ad valorem tax is levied and collectible on July 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township of Argentine is \$170,778,184 on which ad valorem taxes levy consisted of .7537 mills for operating purposes. The township bills and collects its own property taxes and also taxes for the school districts of Swartz Creek, Linden, and Byron, and for Genesee County. Collection on all taxes and remittance of them to the various taxing jurisdictions are accounted for in the tax collections fund. Township property tax revenues are recognized when levied.

Township of Argentine
Notes to Financial Statements
June 30, 2004

Assets, liabilities and net assets or equity

Cash and cash equivalents – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	25 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

Long-term obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Argentine
Notes to Financial Statements
June 30, 2004

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund deficit and Budget deficit

The Township has accumulated a net asset deficit in the Knobhill Paving fund. This deficit will be eliminated with future year special assessments. The Township also had a deficit budget in the Peninsular and Belfast Fund.

NOTE 3 - DEPOSITS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board authorized all of the investments allowable under Michigan law.

The Township of Argentine deposits and investment policy are in accordance with statutory authority.

Deposits

At year end, the carrying amount of the Township's deposits with financial institutions (excluding petty cash of \$1,438) was \$2,117,531 and the bank balance was \$2,297,570. Of the bank balance, \$123,394 was covered by federal depository insurance and \$2,174,176 was uninsured and uncollateralized.

Township of Argentine
Notes to Financial Statements
June 30, 2004

NOTE 4 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds are as follows:

	<u>General</u>	<u>Police</u>	<u>Peninsular and Belfast</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
Accounts	\$ 10,333	\$ -	\$ -	\$ 103,040	\$ 5,461	\$ 118,834
Special assessments	-	-	443,463	-	808,514	1,251,977
Intergovernmental	<u>168,728</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,328</u>
Gross receivables	<u>\$ 179,061</u>	<u>\$ 600</u>	<u>\$ 443,463</u>	<u>\$ 103,040</u>	<u>\$ 813,975</u>	<u>\$ 1,540,139</u>
Due within one year	\$ 179,061	\$ 600	\$ 64,500	\$ 103,040	\$ 92,470	\$ 439,671
Due after one year	<u>-</u>	<u>-</u>	<u>378,963</u>	<u>-</u>	<u>721,505</u>	<u>1,100,468</u>
	<u>\$ 179,061</u>	<u>\$ 600</u>	<u>\$ 443,463</u>	<u>\$ 103,040</u>	<u>\$ 813,975</u>	<u>\$ 1,540,139</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Unavailable

Special assessments not yet due \$ 1,251,977

Township of Argentine
Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated				
Buildings and improvements	393,391	-	-	393,391
Land improvements	9,500	-	-	9,500
Vehicles	1,238,859	335,633	-	1,574,492
Office and other equipment	6,076	-	-	6,076
Police and Fire equipment	40,577	-	-	40,577
Capital assets being depreciated	<u>1,688,403</u>	<u>335,633</u>	<u>-</u>	<u>2,024,036</u>
Less accumulated depreciation for				
Buildings and improvements	110,359	11,215	-	121,574
Land improvements	5,383	633	-	6,016
Vehicles	856,973	142,691	-	999,664
Office and other equipment	1,302	868	-	2,170
Police and fire equipment	13,129	5,797	-	18,926
Accumulated depreciation	<u>987,146</u>	<u>161,204</u>	<u>-</u>	<u>1,148,350</u>
Net capital assets being depreciated	<u>701,257</u>	<u>174,429</u>	<u>-</u>	<u>875,686</u>
Governmental activities capital assets, net	<u>\$ 746,257</u>	<u>\$ 174,429</u>	<u>\$ -</u>	<u>\$ 920,686</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 31,525	\$ -	\$ -	\$ 31,525
Capital assets being depreciated				
Office and other equipment	2,561	-	2,561	-
Sewery System	1,962,378	-	-	1,962,378
Capital assets being depreciated	<u>1,964,939</u>	<u>-</u>	<u>2,561</u>	<u>1,962,378</u>
Less accumulated depreciation for				
Office and other equipment	2,561	-	2,561	-
Sewer system	529,115	39,248	-	568,363
Accumulated depreciation	<u>531,676</u>	<u>39,248</u>	<u>2,561</u>	<u>568,363</u>
Net capital assets being depreciated	<u>1,433,263</u>	<u>(39,248)</u>	<u>-</u>	<u>1,394,015</u>
Business-type capital assets, net	<u>\$ 1,464,788</u>	<u>\$ (39,248)</u>	<u>\$ -</u>	<u>\$ 1,425,540</u>

Township of Argentine
Notes to Financial Statements
June 30, 2004

Depreciation expense was charged to programs of the primary government as follows:

Government activities

General government	\$ 12,716
Public safety	<u>148,488</u>
Total governmental activities	<u>\$161,204</u>

Business-type activities

Sewer	<u>39,248</u>
Total business-type activities	<u>\$ 39,248</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Knobhill Paving	\$ 15,300	Reimbursement of expenditures paid for by the General Fund
	Peninsular and Belfast	146,643	Reimbursement of expenditures paid for by the General Fund
	Fire	140	Reimbursement of expenditures paid for by the General Fund
	Garbage	50	Reimbursement of expenditures paid for by the General Fund
	Police	160	Reimbursement of expenditures paid for by the General Fund
Sewer	General	3,068	Reimbursement of Township expenditures paid by other funds
Lake Improvements	Knobhill	<u>30,000</u>	Reimbursement of Township expenditures paid by other funds
		<u>\$ 195,361</u>	

	Transfers in	Transfers out	Purpose
General Fund			
From Police Fund	\$ 267,200	\$ -	To reimburse general fund for extra transfers.
From Fire Fund	232,512	-	To reimburse general fund for extra transfers.
To Ambulance Fund	-	7,667	To cover overpayment of ambulance reimbursement.
Ambulance Fund			
From General Fund	7,667	-	
Fire Fund			
To General Fund	-	232,512	
Police Fund			
To General Fund	<u>-</u>	<u>267,200</u>	
Total	<u>\$ 507,379</u>	<u>\$ 507,379</u>	

Township of Argentine
Notes to Financial Statements
June 30, 2004

NOTE 7 - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Special assessment bonds					
1999 Peninsular & Belfast	\$ 180,000	\$ -	\$ 30,000	\$ 150,000	\$ 30,000
2004B Bond	-	250,000	-	250,000	7,778
2004A Bond	-	200,000	-	200,000	22,222
1994 Wolcott Mill	82,500	-	41,250	41,250	41,250
Lobdell Road Paving Project	385,444	-	42,827	342,617	42,827
Settlement	250,000	-	212,664	37,336	37,336
Contracts payable - 1998 Fire truck	35,059	-	35,059	-	-
Contracts payable - 2003 Fire truck	-	272,540	22,631	249,909	23,227
Accrued interest	10,160	3,928	-	14,088	14,088
	<u>\$ 943,163</u>	<u>\$ 726,468</u>	<u>\$ 384,431</u>	<u>\$ 1,285,200</u>	<u>\$ 218,728</u>
Business-type activities					
Contracts payable					
1994 System No. 7 refunding	76,560	-	76,560	-	-
1999 System No. 7 upgrade	353,352	-	55,792	297,560	55,792
	<u>\$ 429,912</u>	<u>\$ -</u>	<u>\$ 132,352</u>	<u>\$ 297,560</u>	<u>\$ 55,792</u>

Township of Argentine
Notes to Financial Statements
June 30, 2004

The following is a summary of maturity dates, interest rates, and maturities:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Maturities</u>
Governmental activities			
Special assessment bonds			
1999 Peninsular & Belfast	11/1/08	3.9-4.3%	\$30,000
2004B Bond	5/1/13	5.371%	\$7,778-\$42,778
2004A Bond	5/1/13	3.6%	\$22,222
1994 Wolcott Mill	11/1/04	5.5%	\$41,250
Lobdell Road Paving Project	8/1/11	3.7%	\$42,827
Settlement	2/2/05	3.5%	\$12,108-\$12,669
Contracts payable - 2003 Fire truck	11/1/12	4.0%	\$23,227-\$32,788

Annual debt service requirements to maturity for the above bond obligations are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 204,640	\$ 46,479	\$ 55,792	\$ 11,688
2006	127,077	43,872	55,792	9,373
2007	133,145	39,395	55,793	7,002
2008	134,260	34,141	55,793	4,575
2009	160,424	28,496	74,390	1,674
2010-2014	<u>511,566</u>	<u>52,698</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,271,112</u>	<u>\$ 245,081</u>	<u>\$ 297,560</u>	<u>\$ 34,312</u>

NOTE 8 - RISK MANAGEMENT

Financial instruments, which potentially subject the Township to concentrations of credit risk consist principally of cash. Risk associated with cash is disclosed in Note 3.

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all its insurance needs. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - PENSION PLAN

The Township has a qualified, contributory defined contribution pension plan covering all full time employees and elected officials. Pension expense charged to operations for the year ended June 30, 2004 was \$ 18,151, which is for current service costs. There are no unfunded prior service costs.

Township of Argentine
Notes to Financial Statements
June 30, 2004

NOTE 10 - BUILDING AND SIMILAR FEES

The Township collects monies for building, electrical, mechanical and plumbing permits in the general fund. The amount received for these permits for the year ended June 30, 2004 was \$ 71,679. The expenses incurred related to code enforcement for the year ended June 30, 2004 were \$ 105,390. There is a reservation of fund balance of \$ 14,200 for building expenditures.

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, the Township incurred expenditures in the General and Special Revenue Funds in excess of the amount appropriated as follows:

<u>FUND</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
General government	\$ 440,466	\$ 522,209	\$ 81,743
Public safety	712,081	945,475	233,394
Other	117,488	136,941	19,453
Special Revenue			
Fire Fund	71,192	343,730	272,538

Township of Argentine
Notes to Financial Statements
June 30, 2004

NOTE 12 – ACCOUNTING AND REPORTING CHANGE

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The Township of Argentine has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement the general provisions of the statement. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$1,234,365 to \$746,257 to reflect the historical cost and accumulated depreciation of the Township's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations totaling \$943,163 previously reported in the General Long-Term Debt Account Group

Township of Argentine
Required Supplemental Information
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 133,299	\$ 161,140	\$ 180,123	\$ 18,983
State shared revenue	460,258	476,729	438,403	(38,326)
Fees and permits	92,917	123,100	145,669	22,569
Charges for services	28,000	32,500	24,425	(8,075)
Interest	1,000	1,000	1,269	269
Other revenue	7,100	14,800	36,212	21,412
Total revenues	722,574	809,269	826,101	16,832
Expenditures				
Current				
General government	477,142	440,466	522,209	(81,743)
Police protection	539,225	481,641	656,506	(174,865)
Fire protection	248,634	230,440	288,969	(58,529)
Other	169,053	117,488	136,941	(19,453)
Total expenditures	1,434,054	1,270,035	1,604,625	(334,590)
Deficiency of revenues over expenditures	(711,480)	(460,766)	(778,524)	(317,758)
Other financing sources (uses)				
Operating transfers in	711,480	460,766	499,712	38,946
Operating transfers out	-	-	(7,667)	(7,667)
Total other financing sources	711,480	460,766	492,045	31,279
Net change in fund balance	-	-	(286,479)	(286,479)
Fund balance - beginning of year	818,759	818,759	818,759	-
Fund balance - end of year	\$ 818,759	\$ 818,759	\$ 532,280	\$ (286,479)

Township of Argentine
Required Supplemental Information
Police Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 268,200	268,200	267,200	\$ (1,000)
Interest	158	158	208	50
Fees and permits	6,600	6,600	6,600	-
Total revenues	274,958	274,958	274,008	(950)
Expenditures				
Other	8,350	8,350	2,767	(5,583)
Total expenditures	8,350	8,350	2,767	(5,583)
Excess of revenues over expenditures	266,608	266,608	271,241	(4,633)
Other financing sources (uses)				
Operating transfers out	(268,200)	(268,200)	(267,200)	1,000
Net change in fund balance	(1,592)	(1,592)	4,041	5,633
Fund balance (deficit) - beginning of year	30,762	30,762	30,762	-
Fund balance (deficit) - end of year	<u>\$ 29,170</u>	<u>\$ 29,170</u>	<u>\$ 34,803</u>	<u>\$ 5,633</u>

Township of Argentine
Required Supplemental Information
Fire Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 321,840	321,840	320,640	\$ (1,200)
Fees and permits	8,069	8,069	8,068	(1)
Interest	764	764	1,065	301
Total revenues	330,673	330,673	329,773	(900)
Expenditures				
Debt service	71,192	71,192	343,730	272,538
Total expenditures	71,192	71,192	343,730	272,538
Excess of revenues over expenditures	259,481	259,481	(13,957)	273,438
Other financing uses				
Loan proceeds	-	-	272,540	272,540
Operating transfers out	(225,288)	(225,288)	(232,512)	7,224
Total other financing sources (uses)	(225,288)	(225,288)	40,028	279,764
Net change in fund balance	34,193	34,193	26,071	8,122
Fund balance - beginning of year	237,288	237,288	237,288	-
Fund balance - end of year	\$ 271,481	\$ 271,481	\$ 263,359	\$ (8,122)

Township of Argentine
Required Supplemental Information
Garbage Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes	\$ 318,516	318,516	317,196	\$ (1,320)
Fees and permits	6,534	6,534	653	(5,881)
Interest	457	457	6,352	5,895
Total revenues	<u>325,507</u>	<u>325,507</u>	<u>324,201</u>	<u>(1,306)</u>
Expenditures				
Sanitation service	<u>326,726</u>	<u>326,726</u>	<u>326,726</u>	<u>-</u>
Total expenditures	<u>326,726</u>	<u>326,726</u>	<u>326,726</u>	<u>-</u>
Net change in fund balance	(1,219)	(1,219)	(2,525)	(1,306)
Fund balance - beginning of year	<u>173,494</u>	<u>173,494</u>	<u>173,494</u>	<u>-</u>
Fund balance - end of year	<u>\$ 172,275</u>	<u>\$ 172,275</u>	<u>\$ 170,969</u>	<u>\$ (1,306)</u>

Township of Argentine
Required Supplemental Information
Peninsular & Belfast Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes	\$ 42,054	42,054	42,054	\$ -
Interest	72	72	103	31
Total revenues	42,126	42,126	42,157	31
Expenditures				
Other	10,250	10,250	10,250	-
Debt service	78,022	78,022	36,772	(41,250)
Total expenditures	88,272	88,272	47,022	(41,250)
Excess (deficiency) of revenues over expenditures	(46,146)	(46,146)	(4,865)	41,281
Other financing sources				
Bond proceeds	-	-	225,000	225,000
Net change in fund balance	(46,146)	(46,146)	220,135	266,281
Fund balance (deficit) - beginning of year	(106,171)	(106,171)	(106,171)	-
Fund balance (deficit) - end of year	<u>\$ (152,317)</u>	<u>\$ (152,317)</u>	<u>\$ 113,964</u>	<u>\$ 266,281</u>

Township of Argentine
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Ambulance	Street and Lighting	Lake Improvements	Lobdell Road Assessment	Haviland Beach Paving	Glen Hatt	Knobhill	General Road Improvement	Wolcott Mill	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalents	\$ -	\$ 33,418	\$ 177,295	\$ 22,930	\$ 141,104	\$ 6,517	\$ 1,767	\$ 82,022	\$ 198,490	\$ 663,543
Accounts receivable	-	-	509	-	-	-	-	-	4,952	5,461
Special assessments receivable	-	-	-	315,889	380,901	78,290	33,434	-	-	808,514
Due from other funds	-	-	30,000	-	-	-	-	-	-	30,000
Total assets	\$ -	\$ 33,418	\$ 207,804	\$ 338,819	\$ 522,005	\$ 84,807	\$ 35,201	\$ 82,022	\$ 203,442	\$ 1,507,518
Liabilities and Fund Balance										
Liabilities										
Accounts payable	-	-	56,508	-	-	-	-	-	488	56,996
Deferred revenue	-	-	-	315,889	380,901	78,290	33,434	-	-	808,514
Due to other funds	-	-	-	-	-	-	45,300	-	-	45,300
Total liabilities	-	-	56,508	315,889	380,901	78,290	78,734	-	488	910,810
Fund balance (deficit)										
Reserved for Lakes	-	-	151,296	-	-	-	-	-	-	151,296
Unreserved, undesignated	-	33,418	-	22,930	141,104	6,517	(43,533)	82,022	202,954	445,412
Total fund balance (deficit)	-	33,418	151,296	22,930	141,104	6,517	(43,533)	82,022	202,954	596,708
Total liabilities and fund balance	\$ -	\$ 33,418	\$ 207,804	\$ 338,819	\$ 522,005	\$ 84,807	\$ 35,201	\$ 82,022	\$ 203,442	\$ 1,507,518

Township of Argentine
Other Supplemental Information
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2004

	Ambulance	Street and Lighting	Lake Improvements	Lobdell Road Assessment	Haviland Beach Paving	Glen Hatt	Knobhill	General Road Improvement	Wolcott Mill	Total Nonmajor Governmental Funds
Revenues										
Special assessments	\$ -	\$ 19,873	\$ 74,996	\$ 27,500	\$ 21,134	\$ 7,925	\$ 7,585	\$ 58,110	\$ -	\$ 217,123
Interest	-	794	877	52	118	11	12	132	6,331	8,327
Total revenues	-	20,667	75,873	27,552	21,252	7,936	7,597	58,242	6,331	225,450
Expenditures										
Street and lighting	-	20,204	-	-	-	-	-	-	-	20,204
Other functions	2,720	-	-	-	10,250	-	-	-	4,146	17,116
Road improvements	-	-	-	-	127,227	-	-	56,291	-	183,518
Lake improvements	-	-	86,826	-	-	-	-	-	-	86,826
Debt service	-	-	-	33,099	-	13,252	-	-	44,633	90,984
Total expenditures	2,720	20,204	86,826	33,099	137,477	13,252	-	56,291	48,779	398,648
Excess (deficiency) of revenues over expenditures	(2,720)	463	(10,953)	(5,547)	(116,225)	(5,316)	7,597	1,951	(42,448)	(173,198)
Other financing sources (uses)										
Bond proceeds	-	-	-	-	225,000	-	-	-	-	225,000
Operating transfers in	7,667	-	-	-	-	-	-	-	-	7,667
Total other financing sources (uses)	7,667	-	-	-	225,000	-	-	-	-	232,667
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	4,947	463	(10,953)	(5,547)	108,775	(5,316)	7,597	1,951	(42,448)	59,469
Fund balance (deficit) - beginning of year	(4,947)	32,955	162,249	28,477	32,329	11,833	(51,130)	80,071	245,402	537,239
Fund balance - end of year	\$ -	\$ 33,418	\$ 151,296	\$ 22,930	\$ 141,104	\$ 6,517	\$ (43,533)	\$ 82,022	\$ 202,954	\$ 596,708

Township of Argentine
Other Supplemental Information
Comparative Balance Sheet
General Fund
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 300,129	\$ 488,413
Accounts receivable	10,333	11,979
Due from other governmental units	168,728	152,874
Due from other funds	162,293	169,293
Prepaid expenses	<u>4,337</u>	<u>7,207</u>
Total assets	<u><u>\$ 645,820</u></u>	<u><u>\$ 829,766</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 67,262	\$ 7,939
Judgement payable	37,336	-
Salaries payable	5,874	-
Due to other funds	<u>3,068</u>	<u>3,068</u>
Total liabilities	<u>113,540</u>	<u>11,007</u>
Fund balance		
Designated for drug enforcement	100	100
Designated for fire improvement	22,718	22,718
Designated for Township tables and chairs	1,451	1,451
Reserved for building expenditures	14,200	47,911
Undesignated	<u>493,811</u>	<u>746,579</u>
Total fund balance	<u>532,280</u>	<u>818,759</u>
Total liabilities and fund balance	<u><u>\$ 645,820</u></u>	<u><u>\$ 829,766</u></u>

Township of Argentine
Other Supplemental Information
Schedule of Revenues Compared to Budget
General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Current property taxes	\$ 133,299	\$ 161,140	\$ 180,123	\$ 18,983
State shared revenue				
Revenue sharing	458,758	475,229	437,288	(37,941)
Liquor license fees	1,500	1,500	1,115	(385)
Total state shared revenue	460,258	476,729	438,403	(38,326)
Fees and permits				
Building permits	57,817	74,000	71,679	(2,321)
Franchise fees	24,000	36,000	47,599	11,599
Court fees	11,000	13,000	26,391	13,391
Miscellaneous permits	100	100	-	(100)
Total fees and permits	92,917	123,100	145,669	22,569
Charges for services				
Fire runs and contracts	17,000	17,000	10,550	(6,450)
Land split fees	3,500	6,500	5,850	(650)
Miscellaneous	7,500	9,000	8,025	(975)
Total charges for services	28,000	32,500	24,425	(8,075)
Other revenue				
Interest	1,000	1,000	1,269	269
Sale of township property	3,000	3,000	800	(2,200)
Refunds and rebates	300	5,000	2,605	(2,395)
Reimbursements	1,000	1,000	5,835	4,835
Miscellaneous	2,800	5,800	26,972	21,172
Total other revenue	8,100	15,800	37,481	21,681
Total revenue	\$ 722,574	\$ 809,269	\$ 826,101	\$ 16,832

Township of Argentine
Other Supplemental Information
Schedule of Expenditures Compared to Budget
General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
Township Board	\$ 272,264	\$ 248,738	\$ 310,031	\$ 61,293
Supervisor	82,171	105,021	126,133	21,112
Elections	14,500	7,500	1,378	(6,122)
Clerk	22,655	22,655	22,945	290
Board of Review	3,330	2,830	3,357	527
Treasurer	29,859	29,859	25,626	(4,233)
Building and grounds	42,419	13,919	30,399	16,480
Cemetery	9,944	9,944	2,340	(7,604)
Total general government	477,142	440,466	522,209	81,743
Police protection	539,225	481,641	656,506	174,865
Fire protection	248,634	230,440	288,969	58,529
Other expenditures				
Building department	78,001	78,000	105,388	27,388
Drains at large	19,679	10,000	19,234	9,234
Highways and streets	40,373	17,488	4,565	(12,923)
Planning commission and board of appeals	13,000	12,000	7,754	(4,246)
Community development	18,000	-	-	-
Total other expenditures	169,053	117,488	136,941	19,453
Total expenditures	<u>\$ 1,434,054</u>	<u>\$ 1,270,035</u>	<u>\$ 1,604,625</u>	<u>\$ 334,590</u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Police Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 267,200	\$ 260,600
Interest	208	362
Fees and permits	<u>6,600</u>	<u>7,600</u>
Total revenues	<u>274,008</u>	<u>268,562</u>
Expenditures		
Other	<u>2,767</u>	<u>660</u>
Total expenditures	<u>2,767</u>	<u>660</u>
Excess of revenues over expenditures	271,241	267,902
Other financing uses		
Operating transfers out	<u>(267,200)</u>	<u>(260,600)</u>
Net change in fund balance	4,041	7,302
Fund balance - beginning of year	<u>30,762</u>	<u>23,460</u>
Fund balance - end of year	<u><u>\$ 34,803</u></u>	<u><u>\$ 30,762</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Fire Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 320,640	\$ 312,720
Interest	1,065	1,424
Fees and permits	<u>8,068</u>	<u>8,560</u>
Total revenues	<u>329,773</u>	<u>322,704</u>
Expenditures		
Other	-	219
Debt service	<u>343,730</u>	<u>89,006</u>
Total expenditures	<u>343,730</u>	<u>89,225</u>
Excess (deficiency) of revenues over expenditures	(13,957)	233,479
Other financing sources (uses)		
Loan proceeds	272,540	-
Operating transfers out	<u>(232,512)</u>	<u>(182,410)</u>
Total other financing sources (uses)	<u>40,028</u>	<u>(182,410)</u>
Net change in fund balance	26,071	51,069
Fund balance - beginning of year	<u>237,288</u>	<u>186,219</u>
Fund balance - end of year	<u><u>\$ 263,359</u></u>	<u><u>\$ 237,288</u></u>

Township of Argentine
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance
Ambulance Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Interest	\$ -	\$ 368
Total revenues	<u>-</u>	<u>368</u>
Expenditures		
Reimbursements	2,720	68,013
Other	<u>-</u>	<u>10,001</u>
Total expenditures	<u>2,720</u>	<u>78,014</u>
Deficiency of revenues over expenditures	(2,720)	(77,646)
Other financing sources		
Operating transfers in	<u>7,667</u>	<u>-</u>
Net change in fund balance	4,947	(77,646)
Fund balance (deficit) - beginning of year	<u>(4,947)</u>	<u>72,699</u>
Fund balance (deficit) - end of year	<u><u>\$ -</u></u>	<u><u>\$ (4,947)</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Garbage Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 317,196	\$ 308,616
Interest	653	1,011
Other revenue	<u>6,352</u>	<u>6,763</u>
Total revenues	<u>324,201</u>	<u>316,390</u>
Expenditures		
Sanitation	<u>326,726</u>	<u>309,545</u>
Total expenditures	<u>326,726</u>	<u>309,545</u>
Net change in fund balance	(2,525)	6,845
Fund balance - beginning of year	<u>173,494</u>	<u>166,649</u>
Fund balance - end of year	<u><u>\$ 170,969</u></u>	<u><u>\$ 173,494</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Street and Lighting Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 19,873	\$ 20,252
Interest	<u>794</u>	<u>138</u>
Total revenues	<u>20,667</u>	<u>20,390</u>
Expenditures		
Street and lighting	<u>20,204</u>	<u>13,744</u>
Net change in fund balance	463	6,646
Fund balance - beginning of year	<u>32,955</u>	<u>26,309</u>
Fund balance - end of year	<u><u>\$ 33,418</u></u>	<u><u>\$ 32,955</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Lake Improvement Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 74,996	\$ 74,896
Interest	<u>877</u>	<u>966</u>
Total revenues	<u>75,873</u>	<u>75,862</u>
Expenditures		
Lake improvements	<u>86,826</u>	<u>134,658</u>
Deficiency of revenues over expenditures	(10,953)	(58,796)
Other financing sources		
Operating transfers in	<u>-</u>	<u>30,000</u>
Total other financing sources	-	30,000
Net change in fund balance	(10,953)	(28,796)
Fund balance - beginning of year	<u>162,249</u>	<u>191,045</u>
Fund balance - end of year	<u><u>\$ 151,296</u></u>	<u><u>\$ 162,249</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Lobdell Road Assessment Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 27,500	\$ 25,000
Interest	<u>52</u>	<u>119</u>
Total revenues	<u>27,552</u>	<u>25,119</u>
Expenditures		
Debt service	33,099	21,542
Other functions	<u>-</u>	<u>25,696</u>
Total expenditures	<u>33,099</u>	<u>47,238</u>
Net change in fund balance	(5,547)	(22,119)
Fund balance - beginning of year	<u>28,477</u>	<u>50,596</u>
Fund balance - end of year	<u><u>\$ 22,930</u></u>	<u><u>\$ 28,477</u></u>

Township of Argentine
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance
Haviland Beach Paving Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 21,134	\$ 17,299
Interest	<u>118</u>	<u>160</u>
Total revenues	<u>21,252</u>	<u>17,459</u>
Expenditures		
Road improvements	127,227	-
Professional services	<u>10,250</u>	<u>2,509</u>
Total expenditures	<u>137,477</u>	<u>2,509</u>
Excess (deficiency) of revenues over expenditures	(116,225)	14,950
Other financing sources		
Bond proceeds	<u>225,000</u>	<u>-</u>
Net change in fund balance	108,775	14,950
Fund balance - beginning of year	<u>32,329</u>	<u>17,379</u>
Fund balance - end of year	<u><u>\$ 141,104</u></u>	<u><u>\$ 32,329</u></u>

Township of Argentine
Other Supplemental Information
Statement of Revenues, Expenditures
and Changes in Fund Balance
Glen Hatt Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 7,925	\$ 5,750
Interest	<u>11</u>	<u>56</u>
Total revenues	<u>7,936</u>	<u>5,806</u>
Expenditures		
Debt service	<u>13,252</u>	<u>-</u>
Total expenditures	<u>13,252</u>	<u>-</u>
Net change in fund balance	(5,316)	5,806
Fund balance - beginning of year	<u>11,833</u>	<u>6,027</u>
Fund balance - end of year	<u><u>\$ 6,517</u></u>	<u><u>\$ 11,833</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Knobhill Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 7,585	\$ 6,992
Interest	<u>12</u>	<u>43</u>
Total revenues	<u>7,597</u>	<u>7,035</u>
Expenditures		
Other functions	<u>-</u>	<u>2,886</u>
Total expenditures	<u>-</u>	<u>2,886</u>
Net change in fund balance	7,597	4,149
Fund balance (deficit) - beginning of year	<u>(51,130)</u>	<u>(55,279)</u>
Fund balance (deficit) - end of year	<u><u>\$ (43,533)</u></u>	<u><u>\$ (51,130)</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
General Road Improvement Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 58,110	\$ 57,005
Interest	<u>132</u>	<u>635</u>
Total revenues	<u>58,242</u>	<u>57,640</u>
Expenditures		
Road improvements	<u>56,291</u>	<u>72,529</u>
Net change in fund balance	1,951	(14,889)
Fund balance - beginning of year	<u>80,071</u>	<u>94,960</u>
Fund balance - end of year	<u><u>\$ 82,022</u></u>	<u><u>\$ 80,071</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Wolcott Mill Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Interest earned	\$ 6,331	\$ 5,197
Total revenues	<u>6,331</u>	<u>5,197</u>
Expenditures		
Other functions	4,146	4,844
Reimbursement to Deerfield Township	-	24,577
Debt service	<u>44,633</u>	<u>46,839</u>
Total expenditures	<u>48,779</u>	<u>76,260</u>
Net change in fund balance	<u>(42,448)</u>	<u>(71,063)</u>
Fund balance - beginning of year	<u>245,402</u>	<u>316,465</u>
Fund balance - end of year	<u><u>\$ 202,954</u></u>	<u><u>\$ 245,402</u></u>

Township of Argentine
Other Supplemental Information
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Peninsular & Belfast Special Revenue Fund
Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Special assessments	\$ 42,054	\$ 32,000
Interest	103	345
Total revenues	<u>42,157</u>	<u>32,345</u>
Expenditures		
Road improvements	-	38,421
Debt service	36,772	37,912
Other	10,250	2,845
Total expenditures	<u>47,022</u>	<u>79,178</u>
Deficiency of revenues over expenditures	(4,865)	(46,833)
Other financing sources		
Operating transfers in	-	40,000
Bond proceeds	225,000	-
Total other financing sources	<u>225,000</u>	<u>40,000</u>
Net change in fund balance	220,135	(6,833)
Fund balance (deficit) - beginning of year	<u>(106,171)</u>	<u>(99,338)</u>
Fund balance (deficit) - end of year	<u><u>\$ 113,964</u></u>	<u><u>\$ (106,171)</u></u>



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November 23, 2004

To the Township Board
Township of Argentine
Genesee County, Michigan

In planning and performing our audit of the financial statements of Argentine Township for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Argentine Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

BANK RECONCILIATION

At present, the Township prepares bank reconciliation's for the purpose of determining available resources in various accounts. The bank reconciliation's for the General Fund have not been compared to, or reconciled with, the Township's general ledger on a monthly basis. We recommend all bank accounts be reconciled to the general ledger on a monthly basis.

BANK ACCOUNT TRANSFERS

In the process of reconciling the various bank accounts to the general ledger, we noted several instances of cash receipts being written for transfers between two bank accounts. These transactions were entered into the general ledger when the receipt was written. In many cases, the actual transfer of funds between bank accounts never occurred. There was a substantial improvement from last year in the special revenue funds and the enterprise fund, but the general fund still required much time and effort to reconcile actual bank activity to amounts recorded in the Township's records. We recommend the Township only prepare receipts at the time of the actual bank transfer.

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The following is an additional recommendation that we believe is not a reportable condition.

BLANK CHECK STOCK

During the inquiry with township employees regarding internal control procedures for cash disbursements and payroll checks, it was noted that the blank check stock was not locked up. We recommend that all blank check stock be locked up to tighten internal controls.

This report is intended solely for the information and use of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

